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Will Trump's Final Tariff Decision Announcement Impact ASEAN Stock Markets?

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Abstract - *This study analyzes the impact of Trump's final tariff decision on the stock markets of six ASEAN countries (Indonesia, Thailand, Singapore, Malaysia, the Philippines, and Vietnam). Using an event study method, this research measures abnormal returns (AR) from the stock index over the five days preceding and following the announcement on July 8, 2025. The results show that only Indonesia and Thailand experienced statistically significant changes. Indonesia recorded a decline followed by a recovery after a trade agreement with the U.S., while Thailand successfully reduced import tariffs, supporting economic stability. In contrast, Singapore, Malaysia, the Philippines, and Vietnam did not show significant market responses. These findings indicate that while some ASEAN countries are sensitive to global trade policies, others are less responsive, highlighting the varying impacts of global economic policies in the region. This study contributes to understanding how ASEAN markets integrate new information, supporting the efficient market hypothesis, particularly in its semi-strong form.*

Keywords – *Trump's Tariffs, ASEAN, Market Reactions, abnormal return, event study*

I. INTRODUCTION

On July 8, 2025, the protectionist policy of the United States under Donald J. Trump shook the global economy with the announcement of import tariffs on products from major trading partners, including China and Mexico. Although Southeast Asian countries were not direct targets, the impact was significant due to ASEAN's integration into the global supply chain[1][2]. Stock market reactions reflected investor sentiment towards this policy, indicating concerns about the slowdown in free trade and global economic growth. Countries such as Indonesia, Thailand, Malaysia, the Philippines, Vietnam, and Singapore, which heavily rely on exports and global manufacturing, are vulnerable to the indirect effects of this policy. Therefore, it is important to analyze the response of major ASEAN stock indices to this announcement, including price movements, trading volume, and foreign capital flows, in order to understand the extent to which Trump's tariff policy affects the stability of the regional financial markets.

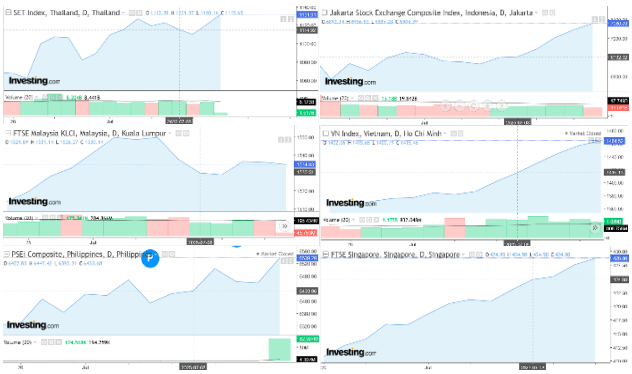

Fig. 1. Market Reaction to the Announcement of the Final Decision

Figure 1 shows that some countries responded negatively (Thailand and Malaysia), while others responded positively (the Philippines, Indonesia, Singapore, and Vietnam). This study aims to determine whether there were any changes in the stock markets of ASEAN countries (Indonesia, Singapore, Malaysia, the Philippines, Vietnam, and Thailand) in response to the final decision announcement of Trump's tariff policy.

II. LITERATURE REVIEW

The Efficient Market Hypothesis (EMH), proposed by Fama, states that security prices reflect all available information, which is categorized into three forms of market efficiency. Weak-form efficiency asserts that prices fully incorporate historical data, meaning technical analysis is ineffective because price movements are random. Semi-strong form efficiency suggests that prices not only reflect past information but also adjust quickly to new public information, making it difficult for fundamental analysis to yield abnormal profits. Strong form efficiency, the ideal condition, asserts that prices reflect all types of information, including private information, although insider trading can still generate abnormal profits.

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Market reaction refers to the changes in security prices that result from the release of new information[3]. Fama (1970) argued that in efficient markets, prices quickly adjust to new information, although excessive information may cause delays in reactions to complex data [3] . In the digital era, stock prices reflect macroeconomic information, and price movements become increasingly difficult to predict as they encompass all available information [4] . Thus, in an efficient market, stock prices only react to new or unexpected information, making price movements unpredictable based on past data, and thereby, technical and fundamental analysis cannot consistently outperform the market[5].

The global market can be considered efficient in a semi-strong form, even during periods of high volatility such as a pandemic, although behavioral finance theory predicts greater inefficiencies. These markets quickly absorb macroeconomic information, despite crises, which strengthens their resilience. However, some markets remain inefficient due to structural factors[6]. Strong form efficiency is difficult to achieve because of three main factors: (1) information asymmetry allows market participants with exclusive access, such as hedge funds, to generate annual profits of 4-6%; (2) regulatory constraints and high costs limit insider information arbitrage despite high-frequency trading (HFT); (3) technology latency gives systematic advantages (10-15 milliseconds) to participants with the best infrastructure, showing uneven information distribution [7] . Nevertheless, market anomalies may still occur.

Market anomalies arise as compensation for additional unmeasured risks. The numerous anomalies found may be the result of data mining and will likely disappear once the data is published [8] . There are three categories of market anomalies: first, seasonal return anomalies such as the January Effect (high returns in January due to tax loss selling and window dressing) and the Weekend Effect (negative returns from Friday to Monday due to differences in information accumulation and liquidity); second, company characteristic anomalies, including the size effect (high returns on small-cap stocks) and value effect (high returns on stocks with a high book-to-market ratio), which are not fully explained by the CAPM, but are influenced by liquidity, analyst coverage, and behavioral biases; third, corporate policy anomalies such as stock splits (price increases post-split due to signaling and liquidity) and gradual reactions to dividend announcements (underreaction), indicating market inefficiency[9].

In the context of ASEAN, this group is more often seen as a symbol of resistance against Western hegemony rather than a fully functional entity. ASEAN works to strengthen multipolarity in the region, but it lacks the economic and institutional foundations to become a coherent alternative bloc. The sustainability of ASEAN will depend on its ability to manage internal differences and create more concrete cooperation mechanisms [10] . While serving as a symbol of challenge to Western dominance, its unifying potential is limited. One of ASEAN's primary challenges is to unite a shared vision and transform its economic power into tangible geopolitical influence. Despite advocating for multipolarity, ASEAN has yet to achieve a balance of power with the West[11].

ASEAN is an economic group with asymmetric integration, rather than a fully coordinated trade bloc. Although integration can be enhanced through trade facilitation, efforts to create a more solid integration are hindered by two main factors: first, the dominance of large countries like Indonesia and Singapore in regional economic policies; second, the dependency of member states on external markets [12] . Therefore, ASEAN's claim of economic unity is more political than substantial. Nevertheless, ASEAN is working to establish an alternative financial system that reduces its reliance on Western powers, although it does not fully replace them. The sustainability of ASEAN as a counterbalance will depend on its ability to unify its members' positions, manage the dominance of large countries, and create a more inclusive governance model[13].

This study aims to observe market changes following the announcement of the delay in Trump's tariffs on July 8, 2025, and examine the reaction of ASEAN markets to this information using signaling theory and event study approaches. The tariff delay announcement is tested as an event to measure its impact on security prices in ASEAN markets, as well as to assess whether the market responds efficiently and quickly, in line with the efficient market hypothesis.

H1 There was a difference in the Indonesia stock market 5 days before and 5 days after Trump's Final Tariff Announcement

H2 There was a difference in the Singapura stock market 5 days before and 5 days after Trump's Final Tariff Announcement

H3 There was a difference in the Malaysia stock market 5 days before and 5 days after Trump's Final Tariff Announcement

H4 There was a difference in the Filiphina stock market 5 days before and 5 days after Trump's Final Tariff Announcement

H5 There was a difference in the Thailand stock market 5 days before and 5 days after Trump's Final Tariff Announcement

H6 There was a difference in the Vietnam stock market 5 days before and 5 days after Trump's Final Tariff Announcement

III. METHODOLOGY

The sample of this study includes the IHSG index (Indonesia), FTSE Malaysia KLCI (Malaysia), FTSE Singapore (Singapore), PSEi Composite (Philippines), SETI (Thailand), and VN Index (Vietnam). Observations are conducted using the Event Window method for 10 days, divided into 5 days before and 5 days after the tariff delay, to observe market changes. This study aims to investigate the differences in stock market reactions across the ASEAN region. Data analysis employs paired t-tests for normally distributed data; however, since the data is not normally distributed, a non-parametric test (Wilcoxon) is applied. The study also utilizes abnormal returns and expected returns.
Abnormal return: The difference between the actual return of a stock and its expected return[14].

$$ARit = Rit - E(Rit)$$

Arit = Abnormal return of security i in period t
Rit = Actual Return for security i in period t
E(Rit) = Expected Return of security i for event t

The estimated return is calculated using a market model, which relates the return of an investment asset [15]

$$E(Rit) = Rf + \beta i(E(Rm) - Rf)$$

E(Rit) = Expected return on security i in period t
Rf = Risk free returns
βi = Asset sensitivity to the market
E(Rm) = Market return expectations

Actual returns are difficult to predict because asset prices reflect all available information, including both public and private data.[3]
$AC = ((Pt - Pt\text{-}1) + Dt / Pt\text{-}1) \times 100\%$

Pt = Asset price at period t
Pt-1 = Asset price at period t-1
Dt = Dividends/income other than assets in period t

IV. FINDINGS AND DISCUSSION

TABLE 1 NORMALITY TEST

Country	Shapiro-Wilk		
	Statistic	df	sig
Indonesia pre	0,839	5	0,163
Indonesia post	0,955	5	0,772
Singapura pre	0,962	5	0,882
Singapura post	0,986	5	0,965
Malaysia pre	0,905	5	0,436
Malaysia post	0,953	5	0,761
Filiphina pre	0,893	5	0,370
Filiphina post	0,922	5	0,542
Thailand pre	0,880	5	0,311
Thailand post	0,977	5	0,920
Vietnam pre	0,698	5	0,009
Vietnam post	0,959	5	0,803

TABLE 2 WILCOXON TEST

PAIRED	Z	Sig (2-tailed)
PAIR 1 (Indonesia)	-2,023	**0,043***
PAIR 2 (Singapura)	-0,135	0,893
PAIR 3 (Malaysia)	0.405	0,686
PAIR 4 (Filiphina)	-0,135	0,893
PAIR 5 (Thailand)	-0,944	**0,345****
PAIR 6 (Vietnam)	-0,674	0,500

*Source: * = t > 0,05*
*** = t > 0,10*

TABLE 3 ABNORMAL RETURN CHANGES IN THE ASEAN REGION

DAY	INDONESIA	SINGAPURA	MALAYSIA
-5	0,00313	-0,00278	-0,00688
-4	0,00415	0,00420	0,00160
-3	0,00306	-0,00045	0,00094
-2	0,00597	0,00191	0,00551
-1	0,00272	-0,00043	0,00029
0	-0,00233	-0,00042	-0,00361
1	0,00217	0,00433	-0,00747
2	-0,00480	-0,00516	0,00224
3	-0,00334	-0,00041	-0,00034
4	-0,00784	0,00199	0,00677
5	-0,00291	-0,00278	0,00094

DAY	FILIPHINA	THAILAND	VIETNAM
-5	-0,01067	-0,00722	-0,01214
-4	0,00965	0,01185	0,00356
-3	-0,00112	0,01566	0,00294
-2	0,00597	0,00609	0,00441
-1	-0,00683	-0,00826	0,00592
0	0,01046	-0,01091	-0,00390
1	0,00073	-0,00020	0,00615
2	0,00417	-0,01089	-0,00170
3	0,00709	0,00693	-0,00749
4	-0,00113	0,00724	-0,00025
5	-0,00050	-0,00377	-0,00532

Based on Table 2, only Indonesia and Thailand showed significant changes between the periods before and after the policy intervention. The analysis yielded significance values (Sig. 2-tailed) of 0.043* for Indonesia and 0.345** for Thailand, which are below the critical thresholds of 0.05 to 0.10, indicating statistically significant changes. In contrast, other countries (Singapore, Malaysia, the Philippines, and Vietnam) did not show significant differences, with significance values exceeding the 0.05 and 0.10 thresholds. The policy impact on Indonesia even surpassed statistical calculations.

Indonesia faces high economic uncertainty due to the potential implementation of import tariffs, which could reduce export competitiveness and worsen the trade balance, leading to a decline in the stock market and the rupiah exchange rate. This is because Indonesia heavily relies on the export of commodities such as palm oil and agricultural products to the United States [16] . However, after the policy, Indonesia successfully reached a favorable trade agreement with the United States, which reduced import tariffs from 32% to 19%. This agreement opened new opportunities for Indonesia to strengthen its exports, particularly in the energy and agricultural sectors, while also reducing dependence on a single market. It provides new optimism, despite still facing challenges from global fluctuations in commodity prices[17].

Thailand faced a threat of a 36% import tariff from the United States, which could harm key export sectors such as electronics and automotive. However, after intensive negotiations, Thailand successfully reached an agreement with the U.S. that reduced the import tariff to 18-20%[18]. The agreement includes the removal of tariffs on 90% of U.S. products exported to Thailand, as well as Thailand's commitment to reduce its trade surplus with the U.S. by 70% over the next five years. This move provides economic stability and strengthens Thailand's position in global trade[19].

Table 3 shows that the Trump tariff announcement caused significant fluctuations in the ASEAN stock markets, with market reactions reflecting inefficiency and high volatility. Overall, the markets responded to the policy with significant changes in abnormal returns (AR), both before and after the announcement, indicating a rapid yet inconsistent reaction to the information. Some countries experienced significant declines, while others showed recovery or positive surges, signaling uncertainty and varied responses. Fluctuations in almost all ASEAN markets indicate market inefficiency, where stock prices do not always reflect information optimally and promptly.

The empirical analysis reveals that the financial markets in Indonesia and Thailand effectively integrate public information, consistent with the semi-strong form of the Efficient Market Hypothesis (EMH). EMH suggests that markets quickly adjust prices or economic indicators in response to public information. Indonesia responds to commodity price fluctuations and international trade policies, particularly in the export sectors of palm oil and textiles, which are highly reliant on the global market. Meanwhile, Thailand is affected by U.S. tariff policies, impacting key export sectors such as electronics and automotive. Both countries show a significant dependence on international trade, with markets reacting swiftly to changes in global economic conditions.

Other countries, including Singapore, Malaysia, the Philippines, and Vietnam, did not show significant market responses. This phenomenon can be explained by several structural factors: (1) the dominance of the informal sector, (2) a broader level of economic diversification, and (3) limitations in market information systems and transparency. These findings indicate that market efficiency in integrating public information varies across countries, influenced by the structural economic characteristics of each. The analysis also reveals that the Trump tariff delay policy impacted stock prices in ASEAN markets, with only Indonesia and Thailand exhibiting statistically significant changes before and after the announcement.

V. CONCLUSION

Based on the analysis, only Indonesia and Thailand experienced statistically significant changes in abnormal returns before and after the announcement of the final decision across the six ASEAN countries. Indonesia saw a decline in the stock market, followed by a recovery after reaching a trade agreement with the U.S. that reduced import tariffs from 32% to 19%[17], meanwhile, Thailand successfully reduced import tariffs (18-20%) and achieved economic stability[18]. These two countries demonstrated a quick response to the policies affecting their key export sectors, reflecting

their high dependence on international trade. In contrast, other countries in ASEAN did not show significant changes, indicating market inefficiency in responding to the policy.

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